

## Industry Outlook

Trends and challenges for food and grocery retailers in 2017

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# PROGRESSIVE GROCER

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## IGNITING INNOVATION IN DAIRY

**“Developing products, which at its core are essentially Indian, is the driving force for innovation at Heritage”**

**– Brahmani Nara**  
Executive Director, Heritage Foods Ltd.



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As we breeze through the early days of the year, there's a lot to expect in the coming days. The demonitization move has put fresh wind into the sails of the retail sector. As more numbers of consumers have taken to digital modes of payment, a veritable windfall is blowing the way of organised retailers. For instance, Big Bazaar has reported increased footfalls and a sharp spike in sales over the past two months. With consumers going cashless and adopting digital payment methods, the organised retail sector is on a gravy train in the post demonitisation era.

There will be many other trends to watch out for. Expect to see new foods and beverages come roaring in, new sub-categories to come out tops, freshly minted flavours finding their way to our table and existing trends like health and wellness gain greater consumer traction. Food companies will take on fresh commitments, formulate new ways to engage with customers, strategise on expanding their store brands and bolster their supply chains, reduce food wastage and focus on the origins of food to enable food traceability and recall. All of these measures will help retailers to build consumer confidence and brand loyalty.

In fact, the forthcoming India Food Forum, from 31st January to 2nd February in Mumbai, will be just the place to catch up on the latest trends, new products, and business plans of food companies. To get a ringside view of the developments that will shape the food industry in the days to come, and also to network with its movers and shakers, don't forget to make a rendezvous at the Forum.



Amitabh Taneja  
 Editor-in-Chief

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## BRANDING



## Limited budgets? *Try building a word of mouth programme instead!*

To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth.

By **Mohit Khattar**

**W**ith evolving consumer preferences and media habits, consumers are spending an ever increasing time on their smartphones and on internet. So gaining their attention and building brand propositions and equity has become only tougher for marketers. It's a given therefore that the inclusion and integration of new mediums in marketing plans can't be ignored. **However, merely having a spend plan that integrates all new mediums to reach out your core message to prospective customers isn't enough;** especially when there is a need to differentiate and gain consumer traction rapidly.

To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth. This is especially

important for businesses and brands that seek to challenge the status quo or wish to influence deeply ingrained consumer habits; though it's proven to be as useful for brands that simply seek to up their shares in highly competitive contexts.

Building word of mouth is not as easy or as simple as having a great product or service that your consumers like and then spontaneously talk about.

**In an increasingly cluttered & noisy world, it requires a dedicated, structured programme with multiple interventions, initiatives and a sound understanding of the cascading network effects that each can achieve.**

Research indicates that consumers, especially millennials, are in active ad avoidance mode. They switch channels on TV & radio, block ads on the internet and on their smartphones or get into similar ad avoidance behaviour across other mediums. Most

see ads as an unwanted disruption that they can live without. Their preference is moving increasingly to content that they can download and consume at their convenience. Conventional ad heavy media options are increasingly out of sync with this changing reality. On the other hand, there is growing evidence of the staggering growth of personalised feedback and recommendations shared by friends, family, colleagues, especially on social media platforms. Whether you intend to try a new restaurant, or buy a new washing machine or a food brand to lose weight, a word from a friend or acquaintance makes a huge difference. At the core of this is the broad understanding that as social creatures we love to share, boast, display, project, etc. What is undeniable is that we trust and believe the personalised feedback and comments so shared by a group as an objective, non-partisan and without the associated commercial trappings of paid advertising.

**It is in this context that service businesses (retail, hospitality, etc) & new product businesses can benefit immensely by operating programmes that systematically channel the writer, photographer and critic that social media has made us all.** Knowledge so shared tickles us more than any form of paid advertising. Additionally, there is implicit trust in the information so shared.

**The crux of a word of mouth programme therefore rests on credible content generated by consumers like us.**

**The guiding principle** behind building a word of mouth or advocacy programme is to use your consumers as influencers by channeling their individual energy and interest in your brand and providing platforms for them to share the same with other like-minded consumers. As the owner of the programme, your business or brand needs to continuously **provide relevant insights and, in general, the fuel to inspire, educate, excite and intrigue customers in equal measure.**

Customers imbibe what your brand shares and layer this with their own experiences. They generate it as their own content and share it with their extended families on social platforms as well as in one-on-one interactions. **The role of your brand is to manage and facilitate this process.**

**To supplement conventional communication efforts in building a positive association for the brand, it becomes imperative for brands to also invest in building word of mouth.**

**How to create positive word of mouth**

- **Identify target segments that are most likely to share experiences and generate content.** Let's say, your brand targets a chosen demographic of (say) urban women, 25-50 years old belonging to upper socio-economic segments. From this – basis your brand needs – you could identify specific



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TEA



BISCUITS

## *Products with Indian concepts will drive growth in dairy*

Brahmani Nara, Executive Director at Heritage Foods Ltd, speaks to Progressive Grocer about the trends in India's dairy industry, the sector's trajectory, and the major initiatives taken by her company in its pursuit of becoming a pan-Indian dairy player. "Heritage has clear national aspirations and is currently testing its milk products in Mumbai and Delhi. We will continue to grow our revenues in south India by driving brand penetration in our core markets and consolidating our business in new markets," she says. As per its Vision 2020 agenda, Heritage Dairy division is expected to reach Rs. 4,100 crore in turnover @ 23 per cent CAGR, which it hopes to accomplish with the launch of new value-added products in the days ahead.

← **Brahmani Nara**  
Executive Director  
Heritage Foods Ltd.



**Which are the emerging dairy trends to watch out for in the Indian market?**

In today's India, three large trends are driving dairy consumption. With increasing modernisation in cities, there is a large premium on time. So there is an emerging need to find dependable everyday products that were earlier largely homemade. A decade back, this need drove the demand for ghee in south India, where households moved from making ghee at home to buying it in the packaged format. Today, we see the same cycle repeat in curd/ dahi. We believe this cycle will repeat in many other products, which today are being made from milk being bought in a packaged form, like flavoured milk.

We are seeing a growing demand for products that at its core are essentially Indian concepts. Examples are the resurgence in the demand for cow ghee and the trend towards local ingredients and tastes. This trend is serving as a huge driving force for the innovation pipeline at Heritage.

**What are the products in your portfolio?**

Our milk products include curd, butter milk, lassi, paneer, doodhpeda, milk cake, flavoured milk, ghee, SMP, PT butter, cooking butter, UHT milk, sweetened condensed milk, ice-cream and frozen dessert.

**Which are the products with maximum demand in specific markets?**

Nationally, four product groups contribute to 90 per cent VADP (value-added dairy products) revenues for the industry. These are curd/ dahi, drinkables (flavoured milk, lassi, chaas, etc.), dairy fat (butter, ghee, fresh cream, etc.) and ice-creams. Heritage has a presence in all of the above categories. While all these businesses are sizeable and growing, curd/ dahi stands out as a category that is growing at the fastest clip. India has been largely a milk drinking country and penetration of packaged VADP products has been low. VADP innovation is yet to largely happen.

**Which are the new products that Heritage Dairy is placing its bets on?**

Heritage is guided by its company credo "Health & Happiness". The company's innovation pipeline is led by the belief that new products should have strong value propositions for the consumer. It is this belief that make the company credo come alive. The categories that we want to focus on should find mass acceptance and should break through the barriers of affordability & access to the larger population.



**What is the sales contribution from your different milk products and how do you see their growth ahead?**

VADP currently contributes about 25 per cent of our total revenues for FY 16. By 2020, Heritage plans to almost double this contribution.

**What is the marketing and distribution strategy for your dairy products?**

Unlike other Food and FMCG companies, the Dairy Go-to-Market (GTM) is significantly different. The distribution needs for different products vary vastly. Heritage's current GTM is led by four different verticals:

- Everyday Milk & Products (e.g. milk, curd, etc.) needs a large scale operation spanning twice a day with the focus on speed and agility so that markets and consumers receive the freshest products. Here it is important that there is a sealed cold chain to prevent any deterioration of the products.
- With the ice-cream range, the demands are quite different. This requires work on asset management, chiller purity, restocking and managing a sub-zero cold chain.
- Thirdly, with ambient products, the endeavour is to build a working relationship with retailers with the focus on building width and depth in the relationship. This is closer to the FMCG model, which is focussed on building a pipeline for existing and new product placement and delivery.
- The fourth GTM model is to have a parlour network, which has exclusive dairy products'

**The categories that we want to focus on should find mass acceptance and should break through the barriers of affordability and access to the larger population.**





# Cuts above the rest

India's growing bulge of middle class consumers is pushing the growth of the meat sector. Research shows that there will be around 80 per cent growth in meat demand by 2022 driven by the desire for convenience, which will be at the heart of the adoption of processed meat, fish, and poultry products.

By Sanjay Kumar

India's growing and expanding middle class is showing a marked preference for moving toward high-protein food such as meat. This is evident from India's largest household consumption survey conducted by the National Sample Survey Office (NSSO), with a sample size of over one lakh households. The survey reveals that 62.3 per cent of Indian households consumed non-vegetarian food in 2011-12 compared to 58.2 per cent in 2004-05. The figure is interesting in the sense that meat consumption is a good marker of economic development. The economic gap between developed and developing countries is often reflected in their meat consumption. While people in developed countries meet more than half (56 per cent) of their protein needs from animal sources, it is only 18 per cent in the case of people in the developing countries like India. The annual per capita consumption of retail processed meat and sea food products, though still low at 29.36 gram and 6.65 gram respectively, is growing in the country, according to Mintel Market Sizes.

Contrary to the conventional belief, growing economic prosperity alone is not the reason for

increased animal protein consumption in India. Meat consumption in India is also dependent on religious beliefs. Therefore states such as Punjab and Gujarat are predominantly vegetarian in spite of their economic prosperity. At the same time, however, as consumers become more health aware, protein found abundantly in meat is getting well established as a muscle building aid. Protein foods are linked to attributes like satiety, weight management and energy, all of which enhance the appeal towards its consumption. As a result, the volume of processed meat and fish consumption in India is set to grow at an annual rate of 15.9 per cent and 14.3 per cent respectively.

## Drivers of Rising Meat Consumption

As per research, there will be about 80 per cent growth in meat demand by 2022. Convenience is at the heart of adoption of processed meat, fish, and poultry products. Time pressed urban consumers are looking for easy to prepare meals, fuelling the demand for processed food products. According to Mintel Market Sizes, Indian organized retail sector is expected to witness a CAGR of 15.6 per cent



during 2016-20. According to Yogmaya Chatterjee, Food and Drink Analyst, Mintel, “A young demographic, rising disposable income and time pressed urban consumers looking for convenient meal solutions without compromising on health aspects are driving the market for the category.” Says Dnyaneshwar Phadtare, Buying & Merchandising Head for meat/ fish/ frozen category, HyperCITY Retail, “The category is growing at an excellent rate and has a promising future. The market for this category in India is worth Rs.2,00,000 crore and is expected to triple by 2020” (source: India Food Report 2016). In India, non-veg consumption is the highest in the State of Telangana followed by West Bengal and Andhra Pradesh.

In India, the growth in the meat sector is led by poultry whose market size is expected to grow tenfold by 2050. Poultry’s share in total meat consumption stands at 28 per cent currently, as against 14 per cent ten years ago. According to Mintel research, chicken consumption has been growing the most with India becoming the fourth-fastest growing market for the product in the world. The proportion of households consuming chicken has shot up from eight per cent in 1993-94 to 38 per cent in 2011-12, while that of fish-eating households increased marginally from 30 per cent to 32 per cent over the same period. At the same time, the proportion of goat-meat/mutton-eaters has fallen significantly — from 30 per cent in 1993-94 to 15 per cent in 2011-12. The population of beef and buffalo meat-eaters has remained more or less constant at about six per cent over this period, according to NSSO 2011-12. The poultry market is expanding faster as there are very few social barriers for poultry meat consumption and also because of its relatively more affordable price. As chicken requires limited feed and the birds are ready for consumption within two months, chicken meat is gaining in popularity over the other kinds.

**Consumption Trends**

Over 90 per cent of meat and poultry in India is still sold through wet markets and butchers. The trend remains strong even though many established and new brands in the frozen meat category have come up with innovative launches and products even while trying to reach out to more numbers of consumers. The well-known brands available nationally in the frozen meat category are:

- Poultry: Venkey’s, Yummiez, Sumeru, Suguna, Keya, Republic of Chicken
- Lamb/Chevon: Al Kabeer, Chevon, Carnivore
- Seafood: Cambay, Gadre, IFB, Big Sam

The fresh meat category has also attracted some branded players but they are more focused on specific regions and are available within only a limited geography due to the short shelf life of products. Fresh meat brands available in only certain markets are:



“Currently more than 90 per cent of the chicken is sold through the wet market in the raw fresh segment, and that is where the opportunity lies for selling branded products through organised retail channels.”

— Krishna Kumar Maurya  
Business Head  
CPP and Veg Division  
Baramati Agro Ltd.

- Poultry: Real Good Chicken, Zorabian, Suguna, Venkeys
- Lamb/Chevon: Al Fahad, Al Kabeer
- Seafood: Cambay

The reason that Indian consumers prefer to buy fresh meat from open/ wet/ live bird markets is because a perception exists among a majority of meat buyers that fresh meat or a live bird slaughtered in their presence is of better quality. Consumers have more confidence in the quality of fresh meat that is slaughtered by butchers in shops. Even when refrigeration is available, consumers lack the confidence in chilled or frozen meat because of the unreliability of electrical power. The preference for fresh meat also extends to the belief that it is superior in taste and texture. According to Krishna Kumar Maurya, Business Head, CPP and Veg Division Baramati Agro Ltd., which sells the ‘Delicious’ brand of fresh raw chicken and other value-added products, “Currently, more than 90 per cent of the chicken is sold through the wet market in the raw fresh segment, and that is where the opportunity lies for selling branded products through organised retail channels.”

Due to the still lingering large-scale preference for fresh meat, the market size of processed and frozen meat is very small. The size by volume of



# Why processed chicken is just 5 per cent of the total poultry market!

Only about five per cent of poultry meat is sold in processed form, of which just about one per cent undergoes processing into value-added products (ready-to-eat/ready-to-cook). The recent emergence of supermarkets and shopping malls is beginning to support the growth in the retailing of chilled/ frozen poultry products.

By **P. Rajan Mathews**

**I**ndia's poultry industry represents a major success story. While agricultural production has been rising at the rate around two per cent per annum over the past two to three decades, poultry production has been rising at the rate of around eight per cent per annum. What was largely a backyard venture before the 1960s has been transformed into a vibrant agri-business with an annual turnover of Rs. 20,000 crore. Today, India is the third-largest egg producer in the world (after China and the United States of America), and the nineteenth-largest broiler producer. Undoubtedly, this impressive growth is a result of several factors, such as active developmental support from the state

and central government, research and development support from research institutes, international collaboration and private sector participation. A point worth mentioning here is that Indian poultry is self-sufficient, supported by a broad and strong genetic base in which the productivity levels of broilers and layers are equal to those achieved elsewhere (e.g., the USA and the European Union). Undoubtedly, these achievements are quite significant. Today, however, globalization is posing greater challenges: namely, making the industry globally competitive and viable; and fulfilling the quite enormous potential for growth that is presented by changing food habits and preferences.





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